



# Heron Resources Limited

## ASX/TSX Release

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### Heron Announces Equity Funding Package of up to \$20M with Greenstone Resources L.P.

- Heron to initially raise \$6.8 million through a placement of 54.1 million shares to Greenstone Resources L.P. (“Greenstone”) at 12.6 cents per share representing a significant premium to Heron’s current share price
- The arrangements provide for a potential additional investment by Greenstone of \$13.2 million (or to take Greenstone’s interest to up to 19.9% of Heron) as part of the potential staged development of the Woodlawn Project
- Heron and Greenstone have also entered into a strategic relationship under which Heron will have access to Greenstone’s technical and financial expertise, and Greenstone will nominate a director to the Heron Board

#### ASX:HRR/TSX:HER

Issued Shares	361M
Share Price	\$0.11
Market Cap	\$39.7M
Cash (31 Mar 2015)	\$25.6M
Investments	\$ 2.8M
Total C+I	\$28.4M

Heron Resources Limited (ASX:HRR TSX:HER, “Heron” or the “Company”) is pleased to advise that it has entered into a binding agreement (“Subscription and Co-operation Deed”) with Greenstone Resources L.P. (“Greenstone”), a specialist London-based mining and metals private equity fund whereby Greenstone, or its nominee, will invest \$6.8 million in Heron by way of a private placement (“Placement”). The agreed arrangements also envisage a potential additional investment by Greenstone of \$13.2 million (or such amount as would take Greenstone’s interest to up to 19.9% of Heron shares) towards funding the staged construction of the Company’s advanced Woodlawn Zinc-Copper Project (“Project”).

Heron and Greenstone have also agreed to the establishment of a strategic alliance which will see Greenstone nominate one director to the Heron Board, provide strategic, financial and project development advice throughout the Feasibility Study and later stages, and have anti-dilution rights subject to the conditions described in Annexure 1.

Greenstone’s investment rationale is to make long term investments on terms that align with management decision making, and with a focus on project development through to production. Greenstone’s team have extensive experience in project development and operations, risk management and execution of project financing plans. The terms of Greenstone’s investment will allow the Company the opportunity to draw upon this expertise to advance the development of the Project.

Heron’s Chairman Stephen Dennis said:

*“We are very pleased to have the support of this well-respected resources focused investment group as we advance the development of the high-grade Woodlawn Project. The Greenstone team has a formidable track record of creating value and so this commitment provides further independent endorsement of the quality and potential of the Project. The cornerstone funding package and strategic alliance marks another significant milestone as we pursue the potential staged development of the Project”.*

The Placement price of 12.6 cents per ordinary share represents:

- a 22% premium to the 30 day volume weighted average price of Heron shares of 10.3 cents on the Australian Securities Exchange on 23 July 2015; and
- a 15% premium to the closing price of 11 cents on 23 July 2015.

The Placement will complement the Company’s considerable cash balance (\$25.6 million at 31 March 2015) with funds raised to be used for the development of the Company’s Woodlawn Project and for working capital and general corporate purposes.



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The Placement of 54,131,658 ordinary shares will be undertaken within the Company's 15% placement capacity pursuant to ASX Listing Rule 7.1, and is expected to be completed by no later than 24 August 2015. The Placement shares will, from the date of issue, rank pari passu with all existing shares on issue. Following completion of the initial Placement, Greenstone will have an interest of approximately 13% of the issued capital of the Company.

As indicated above, the arrangements envisage a potential additional investment by Greenstone as part of any proposed fundraising to be conducted by Heron to fund the staged development of the Woodlawn Project. Those arrangements envisage a further investment of \$13.2 million (through a potential underwriting of a pro rata issue to be conducted by Heron) or subscribing for shares in any further private placement conducted by Heron to take Greenstone's interest up to 19.9% of Heron's shares (on a post-completion basis). Any such funding is subject to the Company making a decision to proceed with the staged development of the Woodlawn Project and Greenstone being satisfied with the proposed terms of any such fundraising, as well as the other conditions summarised in Annexure 1.

Heron's Directors believe that the introduction of Greenstone as a strategic cornerstone investor has a number of significant benefits for the Company and its shareholders, including:

- Strengthening the Company's balance sheet as it moves through the previously announced Feasibility Study towards project construction. With cash and investments of \$28.4 million at 31 March 2015, the Placement proceeds of \$6.8 million together with the potential additional investment by Greenstone provides Heron with confidence that the likely required equity funding for the Project can be raised;
- Enhancing the ability of the Company to execute on the staged development of the Project, being the construction of the tailings retreatment plant in advance of the development of the underground project, subject to a suitable funding structure being entered into for the remainder of the staged funding requirements; and
- Supplementing the skills and experience of the management team by drawing on the mining experience and broader contacts of the Greenstone team (including through Board representation and advisory support).

A summary of the terms of the Subscription and Co-operation Agreement is provided in Annexure 1.

### **About Heron Resources Limited:**

Heron is engaged in the exploration and development of base and precious metal deposits in Australia. Heron's primary development project is the high grade Woodlawn Zinc-Copper Project located 250km southwest of Sydney, New South Wales.

**For further information, please visit [www.heeronresources.com.au](http://www.heeronresources.com.au) or contact:**

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### **Annexure 1: Summary of the terms of the Subscription Deed**

- **Initial Placement:** Greenstone or its nominee will subscribe for 54,131,658 ordinary shares in Heron at an issue price of 12.6 cents per share, subject to:
  - Greenstone receiving a legal opinion from Australian legal counsel in respect of certain matters relating to Heron and the Woodlawn Project; and
  - no material adverse changes occurring prior to completion.

Upon completion of the initial Placement, Greenstone will hold a 13% shareholding in Heron.

- **Potential additional funding:** The agreed arrangements envisage a potential additional investment by Greenstone whereby Greenstone would invest an additional \$13.2 million in Heron through underwriting a pro rata issue to be conducted by Heron, or subscribe for additional shares in Heron as part of a further placement to take Greenstone's interest to up to 19.9% of Heron shares (on a post-completion basis). Any potential additional investment by Heron is subject to:
  - the Company deciding to proceed with the staged development of the Woodlawn Project;
  - the pro rata issue or further placement occurring within 4 months after completion of the Initial Placement;
  - Greenstone being satisfied in its absolute discretion with the terms of the relevant pro rata issue or further placement; and
  - execution of a formal document in respect of the additional funding in a form satisfactory to Greenstone in its absolute discretion.
- **Use of funds:** The funds raised from the Placement are to be used towards development of the Woodlawn Project and for general working capital purposes. Any further funds raised by the Company will also be used towards completing all studies and other investigations or enquiries to enable the Board to make an informed decision as to whether to proceed with the construction of the Woodlawn Project (including completion of a feasibility study).
- **Strategic arrangements:** Upon completion of the Initial Placement and as long as Greenstone holds a relevant interest in at least 10% of Heron's shares, Greenstone will have a right to:
  - nominate a Director to the Heron Board;
  - nominate a representative to participate in Heron's project steering committee to be established for the purposes of assessing and reviewing overall progress of the Project and providing the Board and management of Heron with recommendations in respect of technical, legal, financial, financing, environmental, permitting and stakeholder/ social aspects in respect of the Project; and
  - participate in any new issues of shares in Heron on the same terms as other participants in that share issue, up to such additional number of equity securities as is sufficient to enable Greenstone to maintain its ownership percentage in Heron (subject to compliance with any shareholder or regulatory approvals that may be required for any such issue).

In addition, following completion of the initial Placement, Greenstone will, on written request by Heron, use its reasonable endeavours to provide advisory support to the Company, including to advise on technical, project management and risk assessment aspects in respect of the Project and to introduce the Company to potential strategic investors, financiers, contractors or other parties who may provide logistics and marketing support and offtake services.

- **Other terms:** The Subscription and Co-operation Agreement also contains a number of additional terms that are considered customary and usual for an agreement of this nature, including certain representations and warranties from the Company to Greenstone.

#### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION**

*This news release contains forward-looking statements and forward-looking information within the meaning of applicable*



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Canadian securities laws, which are based on expectations, estimates and projections as of the date of this news release. This forward-looking information includes, or may be based upon, without limitation, estimates, forecasts and statements as to management's expectations with respect to, among other things, the timing and amount of funding required to execute the Company's exploration, development and business plans, capital and exploration expenditures, the effect on the Company of any changes to existing legislation or policy, government regulation of mining operations, the length of time required to obtain permits, certifications and approvals, the success of exploration, development and mining activities, the geology of the Company's properties, environmental risks, the availability of labour, the focus of the Company in the future, demand and market outlook for precious metals and the prices thereof, progress in development of mineral properties, the Company's ability to raise funding privately or on a public market in the future, the Company's future growth, results of operations, performance, and business prospects and opportunities. Wherever possible, words such as "anticipate", "believe", "expect", "intend", "may" and similar expressions have been used to identify such forward-looking information. Forward-looking information is based on the opinions and estimates of management at the date the information is given, and on information available to management at such time. Forward-looking information involves significant risks, uncertainties, assumptions and other factors that could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking information. These factors, including, but not limited to, fluctuations in currency markets, fluctuations in commodity prices, the ability of the Company to access sufficient capital on favourable terms or at all, changes in national and local government legislation, taxation, controls, regulations, political or economic developments in Canada, Australia or other countries in which the Company does business or may carry on business in the future, operational or technical difficulties in connection with exploration or development activities, employee relations, the speculative nature of mineral exploration and development, obtaining necessary licenses and permits, diminishing quantities and grades of mineral reserves, contests over title to properties, especially title to undeveloped properties, the inherent risks involved in the exploration and development of mineral properties, the uncertainties involved in interpreting drill results and other geological data, environmental hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins and flooding, limitations of insurance coverage and the possibility of project cost overruns or unanticipated costs and expenses, and should be considered carefully. Many of these uncertainties and contingencies can affect the Company's actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company. Prospective investors should not place undue reliance on any forward-looking information. Although the forward-looking information contained in this news release is based upon what management believes, or believed at the time, to be reasonable assumptions, the Company cannot assure prospective purchasers that actual results will be consistent with such forward-looking information, as there may be other factors that cause results not to be as anticipated, estimated or intended, and neither the Company nor any other person assumes responsibility for the accuracy and completeness of any such forward-looking information. The Company does not undertake, and assumes no obligation, to update or revise any such forward-looking statements or forward-looking information contained herein to reflect new events or circumstances, except as may be required by law.

**No stock exchange, regulation services provider, securities commission or other regulatory authority has approved or disapproved the information contained in this news release.**